990/inst/990

1990

Department of the Treasury
Internal Revenue Service

Instructions for Form 990

Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) charitable trust

(Section references are to the Internal Revenue Code, unless otherwise indicated.)

General Instructions

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws.

The time needed to complete and file this form and related schedule will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
990	83 hrs., 28 min.	14 hrs., 37 min.	19 hrs., 25 min.	48 min.
Sch. A (990)	39 hrs., 56 min.	8 hrs., 2 min.	9 hrs., 4 min.	-0-

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer T:FP; and the **Office of Management and Budget,** Paperwork Reduction Project (1545-0047), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see instruction H for information on where to file it.

Purpose of Form.—Form 990 is used by tax-exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033.

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A. Who Must File Form 990.—

1. *Filing tests.*—If you do not meet any of the exceptions from filing listed in instruction B and your annual gross receipts are normally more than $25,000 (see instruction B11 below), you have a filing obligation. You can meet this obligation by filing Form 990. If, for any year, your gross receipts during the year are less than $100,000 *and* your total assets at end of year are less than $250,000, you may file **Form 990EZ,** Short Form Return of Organization Exempt From Income Tax, instead of Form 990. Even if you meet this dual test, you can always file a Form 990. However, if your gross receipts or assets are above these limits, you must file Form 990.

2. *Section 501(a), (e), (f), and (k) organizations.*—Except for those types of organizations listed in instruction B, an annual return on Form 990 (or Form 990EZ) is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

3. *Section 4947(a)(1) nonexempt charitable trusts.*—Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990, or Form 990EZ, if its gross receipts are normally more than $25,000. See instruction C7 for information about possible relief from filing **Form 1041,** U.S. Fiduciary Income Tax Return.

4. *Exemption application pending.*—If your application for exemption is pending, check the "Application Pending" block at the top of page 1 of the return and complete the return in the normal manner.

5. *If you received a Form 990 Package.*—If you are not required to file Form 990 because your gross receipts are normally not more than $25,000 (see instruction B11 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return (see instruction S1). Check box I in the area above Part I to indicate that your gross receipts are below the $25,000 filing minimum; sign the return; and send it to the Service Center for your area. You do not have to complete Parts I through IX of the return. By following this instruction, you will help us to update our records, and we will not have to contact you later asking why no return was filed. If you file a return this way, you will not be mailed a Form 990 Package in later years and need not file Form 990 (or Form 990EZ) again until your gross receipts normally exceed the $25,000 minimum, or you terminate or undergo a substantial contraction as described in the instructions for line 79.

6. *Effect on contributions.*—Organizations that are eligible to receive tax deductible contributions are listed in **Publication 78,** Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990 (or Form 990EZ), but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. Organizations Not Required To File Form 990.—(Note: *Organizations not required to file this form with the IRS may nevertheless wish to use it to satisfy state reporting requirements. For details, see instruction E.)*

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The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 (or Form 990EZ) with IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization (described in Rev. Proc. 86-23, 1986-1 C.B. 564).

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by or affiliated with one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A state institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

(a) Instrumentalities of the United States, and

(b) Exempt from Federal income taxes.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF,** Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL,** Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust which qualifies under section 401. (See **Form 5500,** Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file **Form 1065,** U.S. Partnership Return of Income.)

11. An organization whose annual gross receipts are normally $25,000 or less (but see instruction A5).

Calculating gross receipts.—Gross receipts are the sum of lines 1d, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses.

However, if a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

An organization's gross receipts are considered normally to be $25,000 or less if the organization is:

(a) Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;

(b) Between one and three years old and averaged $30,000 or less in gross receipts during each of its first two tax years; or

(c) Three years old or more and averaged $25,000 or less in gross receipts for the immediately preceding three tax years (including the year for which the return would be filed). If your gross receipts are normally $25,000 or less, see instruction A5, above.

C. Other Forms You May Need To File.—

1. Schedule A (Form 990).— Organization Exempt Under 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information. Filed with Form 990 for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f), or 501(k)). Also filed with Form 990 for a section 4947(a)(1) charitable trust not treated as a private foundation. An organization is not required to file Schedule A if its gross receipts are normally $25,000 or less (see instruction B11).

2. Forms W-2 and W-3.—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

3. Form W-2P.—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

4. Form 940.—Employer's Annual Federal Unemployment (FUTA) Tax Return.

5. Form 941.—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

6. Form 990-T.—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose.

7. Form 1041.—U. S. Fiduciary Income Tax Return. Required of section 4947(a)(1) charitable trusts that also file Form 990 or 990EZ. However, if such a trust does not have any taxable income under subtitle A of the Code, it can file either Form 990 or 990EZ and need not file Form 1041 to meet its section 6012 filing requirement. If this condition is met, check the box for question 92 of Form 990 and do not file Form 1041, but complete Form 990 in the normal manner. A section 4947(a)(1) charitable trust that normally has gross receipts of not more than $25,000 (see instruction B11) and has no taxable income under subtitle A must complete only the following items on Form 990: name; address; employer identification number; the section 4947(a)(1) block in box D; box I; question 92 and the signature block on page 5.

8. Form 1096.—Annual Summary and Transmittal of U.S. Information Returns.

9. Form 1099 Series.—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, real estate transactions, acquisition or abandonment of secured property, and lump-sum distributions from profit-sharing and retirement plans.

10. Form 1120-POL.—U.S. Income Tax Return for Certain Political Organizations.

11. Form 1128.—Application to Adopt, Change, or Retain A Tax Year.

12. Form 2758.—Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

13. Form 4720.—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Section 501(c)(3) organizations that file Form 990 or 990EZ, as well as the managers of these organizations, use this form to report their tax on political expenditures and certain lobbying expenditures.

14. Form 5500, 5500-C/R.—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified below. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

The forms required to be filed are:

Form 5500.—Annual Return/Report of Employee Benefit Plan. Used for each plan with 100 or more participants.

Form 5500-C/R.—Return/Report of Employee Benefit Plan. Used for each plan with fewer than 100 participants.

15. Form 8282.—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within two years after receiving the property.

Also, the form is required of any successor donee, who disposes of charitable deduction property within two years after the date that the donor gave the property to the original donee. (It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.) For successor donees, the form must be filed only for any property that was transferred by the original donee after July 5, 1988.

16. Form 8300.—Report of Cash Payments Over $10,000 Received in a Trade or Business. Used to report cash amounts in excess of $10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

D. Publications and Other Forms.—

Publication 525.—Taxable and Nontaxable Income.

Publication 598.—Tax on Unrelated Business Income of Exempt Organizations.

Publication 910—Guide to Free Tax Services.

Form 990-W.—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Publication 1391.—Deductibility of Payments Made to Charities Conducting Fund-Raising Events.

Form 4506-A.—Request for Public Inspection or Copy of Exempt Organization Tax Form.

Form 5768.—Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation.

Form 8822.—Change of Address. Used to notify the IRS of a change in mailing address.

These publications and forms are available free at many IRS offices or by calling 1-800-TAX-FORM (1-800-829-3676).

E. Use of Form 990 To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990 and Schedule A (Form 990) in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you intend to use Form 990 to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following:

Determine state filing requirements.—You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property there.

Monetary tests may differ.—Some or all of the dollar limitations applicable to Form 990 when filed with IRS may not apply when using Form 990 in place of state or local report forms. Examples of IRS dollar limitations that do not meet some state requirements are the $25,000 gross receipts minimum that creates an obligation to file with IRS (see instruction B11) and the $30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

Additional information may be required.—State or local filing requirements may require you to attach to Form 990 one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990 filed with IRS.

Even if the Form 990 you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed in accordance with the applicable Form 990 instructions or supplemental state instructions. If so, you may be asked to provide the missing information or to submit an amended return.

Use of audit guides may be required.—To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, and grants on lines 1a through 1d in Part I and functional expenses on lines 13, 14, and 15, and in Part II, be reported in accordance with the AICPA industry audit guide, *Audits of Voluntary Health and Welfare Organizations (N.Y., AICPA, 1988)*, as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (N.Y., National Health Council, Inc., 1988)*, and by *Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations (Alexandria, Va., United Way Institute, 1989)*.

However, although reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the three publications named above, many states and IRS do not permit the inclusion of those amounts in Parts I and II of Form 990. The instructions for line 82 discuss the optional reporting of donated services and facilities in Parts III and VI.

Amended returns.—If you submit supplemental information or file an amended Form 990 with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990 originally to meet that state's filing requirement.

If a state requires you to file an amended Form 990 to correct conflicts with Form 990 instructions, you must also file an amended return with IRS.

Method of accounting.—Most states require that all amounts be reported based on the accrual method of accounting.

Time for filing may differ.—The time for filing Form 990 with IRS differs from the time for filing reports with some states.

Public inspection.—The Form 990 information made available for public inspection by IRS may differ from that made available by the states. See the cautionary note, Note (2) for line 1d.

State Registration Number(s).—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990 in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with box B blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

F. Other Forms as Partial Substitutes for Form 990.—Except as provided below, the Internal Revenue Service will not accept any form as a substitute for one or more parts of Form 990.

A labor organization that files **Form LM-2**, Labor Organization Annual Report, or the shorter **Form LM-3** with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

An employee benefit plan may be able to substitute Form 5500 or Form 5500-C/R for part of Form 990. The substitution can be made if the organization filing Form 990 and the plan filing Form 5500 or 5500-C/R meet all the following tests:

(a) The Form 990 filer is organized under section 501(c)(9), (17), (18), or (20);

(b) The Form 990 filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

(c) The employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan, and

(d) The organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in instruction G, so it will coincide with the plan year.

Whether you file Form 990 for a labor organization or for an employee plan, the areas of Form 990 for which other forms can be substituted are the same. These areas are:

Part I, lines 13-15 (but complete lines 16 through 21);

Part II; and

Part IV (but complete lines 59, 66, and 74, Columns (A) and (B)).

If you substitute Form LM-2 or LM-3 for any of the Form 990 Parts or line items mentioned above, you must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of Form 990. You must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If you substitute Form LM-2, be sure to

complete its separate schedule of expenses.

G. Accounting Period Covered.—Base your return on your annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

Your fiscal year should normally coincide with the natural operating cycle of your organization. Your fiscal year need not end on December 31 or June 30.

Use the 1990 Form 990 to report on a calendar-year 1990 accounting period or a fiscal year that began in 1990. For a group return, see instruction Q.

If you change your accounting period, you may also use the 1990 form as the return for a short period (less than 12 months) ending November 30, 1991 or earlier.

In general, to change your accounting period, you must file timely a return on Form 990 for the short period resulting from the change. At the top of the short period return, write *Change of Accounting Period.*

If you changed your accounting period within the 10-calendar-year period that includes the beginning of the short period, and you had a Form 990 filing requirement at any time during that 10-year period, you must also attach a Form 1128 to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

H. When and Where To File.—File Form 990 by the 15th day of the 5th month after your accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the change.

If your principal office is located in— ▼	Send your return to the Internal Revenue Service Center below— ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888
Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Delaware, Maryland, New Jersey, Pennsylvania Virginia, District of Columbia, any U.S. possession, or foreign country	Philadelphia, PA 19255

I. Extension of Time To File.—Use Form 2758 to request an extension of time to file.

J. Amended Return.—To change your return for a prior year, write *Amended Return* at the top of the return. Generally, you must file the amended return within three years after the date the original return was due or three years after the date the organization filed it, whichever is later. Use Form 4506-A to obtain a copy of a previously filed return. You can obtain blank forms for prior years by calling the toll-free number given in instruction D.

K. Penalties.—

Against the organization.—Under section 6652(c), a penalty of $10 a day, not to exceed the lesser of $5,000 or 5 percent of the gross receipts of the organization for the year, may be charged when a return is filed late, unless you can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990. The penalty may also be charged if you file an incomplete return or furnish incorrect information. To avoid having to supply missing information later, be sure to complete all applicable line items; answer "Yes," "No," or "N/A" (not applicable) to each question on the return; make an entry (including a "-0-" when appropriate) on all total lines; and enter "None" or "N/A" if an entire part does not apply.

Against responsible person(s).—If you do not file a complete return or do not furnish correct information, IRS will write to give you a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day, not to exceed $5,000, unless he or she shows that not complying was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty.

There are also penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with IRS (sections 7203, 7206, and 7207). There are also penalties for failure to comply with public disclosure requirements as discussed in instruction L. States may impose additional penalties for failure to meet their separate filing requirements.

L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—

Through the IRS.—

Forms 990, 990EZ, 990-PF, and certain other completed exempt organization returns, are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. IRS, however, may not disclose portions of certain otherwise disclosable returns and attachments, including the schedules of contributors required by Forms 990 and 990EZ (section 6104).

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

You can use Form 4506-A to request a copy or to inspect an exempt organization return through IRS. There is a fee for photocopying.

Through the organization.—

(1) Annual return.—An organization must, during the three-year period beginning with the due date (including extensions, if any), of the Forms 990 or 990EZ, make its return available for public inspection upon request. All parts of the return and all required schedules and attachments, other than the schedule of contributors to the organization, must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having three or more employees.

This provision applies to any organization that files Forms 990 or 990EZ, regardless of the size of the organization and whether or not it has any paid employees.

Any person who does not comply with the public inspection requirement shall be assessed a penalty of $10 for each day that inspection was not permitted, up to a maximum of $5,000 with respect to any one return. No penalty will be imposed if the failure is due to reasonable cause. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000 (section 6652(c) and 6685).

(2) Exemption application.—Any section 501(c) or 501(d) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Internal Revenue Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. As in the case of annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least three employees.

The penalties for failure to comply with this provision are the same as those discussed in "Annual return" above, except that the $5,000 limitation does not apply.

M. Solicitations of Nondeductible Contributions.—Any fundraising solicitation by or on behalf of any section 501(c) organization that is not eligible to receive contributions deductible as charitable contributions for Federal income tax purposes must include an express statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in a conspicuous and easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. However, this

provision applies only to those organizations whose annual gross receipts are normally more than $100,000. Religious and apostolic organizations described in section 501(d), as well as political organizations (including PACs) described in section 527(e), are also required to comply with this provision.

Failure to disclose that contributions are not deductible could result in a penalty of $1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed $10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, the $10,000 limitation does not apply and more severe penalties are applicable. No penalty will be imposed if the failure is due to reasonable cause.

N. Disclosures Regarding Certain Information and Services Furnished.— A section 501(c) organization that offers to sell or solicits money for specific information or a routine service for any individual that could be obtained by such individual from a Federal Government agency free or for a nominal charge must disclose that fact conspicuously when making such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty for each day on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of $1,000 or 50 percent of the total cost of the offers and solicitations made on that day which lacked the required disclosure.

O. Disclosures Regarding Certain Transactions and Relationships.— In their annual returns on Schedule A (Form 990), section 501(c)(3) organizations must disclose information regarding their direct or indirect transfers to, and other direct or indirect relationships with, other section 501(c) organizations (except other section 501(c)(3) organizations) or section 527 political organizations. This provision helps to prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3). All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions and relationships. (See instruction K, Penalties.)

P. Erroneous Backup Withholding.— Recipients of dividend or interest payments must generally certify their correct tax identification number to the bank or other payer on **Form W-9**, Request for Taxpayer Identification Number and Certification. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If your organization was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld. See the Instructions for Form 990-T if you had backup withholding erroneously withheld. Claims for refund must be filed within three years after the date the original return was due; three years after the date the organization filed it; or two years after the date the tax was paid, whichever is later.

Q. Group Return.—A central, parent, or "like" organization can file a group return on Form 990 for two or more local organizations that are:

1. Affiliated with the central organization at the time its annual accounting period ends;

2. Subject to the central organization's general supervision or control;

3. Tax exempt under a group exemption letter that is still in effect; and

4. Have the same accounting period as the central organization.

If the parent organization is required to file a return itself (see instruction B for a list of organizations not required to file), it must file a separate return and may not be included in the group return.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If you prepare a group Form 990, attach schedules showing: (1) the total number of local organizations included and the name, address, and employer identification number of each one; and (2) the same information for those not included. When you prepare the return, be sure not to confuse the four-digit group exemption number (GEN) in box G, page 1, with the nine-digit employer identification number in box A.

R. Organizations in Foreign Countries and U.S. Possessions.—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States and report the total for each item. All information must be given in the English language.

S. Completing Form 990.—

1. *Name and Address.*—Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the P.O. box number instead of the street address.

If we mailed you a Form 990 Package with a preaddressed mailing label, please attach the label in the name and address space on your return. Your using the label helps us avoid errors in processing your return. If any information on the label is wrong, draw a line through that part and correct it.

2. *Employer Identification Number.*— You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the Service Center for your area (from the list in instruction H). Inform them what numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use. Section 501(c)(9) organizations must use their own employer identification number and not the number of their sponsor.

3. *Accounting Method.*—In box E on page 1 indicate the method of accounting used in preparing this return. Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure revenue and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting used must clearly reflect income.

If you prepare a Form 990 for state reporting purposes, you may file an identical return with IRS even though it does not agree with your books of account, unless how you report one or more items on the state return conflicts with the instructions for preparing Form 990 for filing with IRS. For example, if you maintain your books on the cash receipts and disbursements method of accounting but prepare a state return based on the accrual method, you could use that return for reporting to IRS. As another example, if a state reporting requirement requires you to report certain revenue, expense, or balance sheet items differently from how you normally account for them on your books, a Form 990 prepared for that state is acceptable for IRS reporting purposes if the state reporting requirement does not conflict with the Form 990 instructions. You should keep a reconciliation of any differences between your books of account and the Form 990 you file.

Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. See instruction E.

4. *Public Inspection.*—All information you report on or with your Form 990, including attachments, will be available for public inspection, except the schedule of contributors required for line 1d, Part I. Please make sure your forms and attachments are clear enough to photocopy legibly.

5. *Signature.*—To make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a firm or corporation that was a paid preparer, sign in the firm's or corporation's name. If you checked the block for question 92 on page 4 of the form (section 4947(a)(1) charitable trust filing Form 990 in lieu of Form 1041), you must also enter the paid preparer's social security number or employer identification number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

Specific Instructions

In General.—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents and increase any amount from 50 through 99 cents to the next higher dollar.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990 (see instruction F), do not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990.

Assembling Form 990.—Before filing the Form 990, assemble your package of forms and attachments in the following manner:

Form 990

Schedule A(Form 990)

Attachments to Form 990

Attachments to Schedule A(Form 990)

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year;

(2) Show the organization's name and employer identification number;

(3) Include the information required by the form;

(4) Follow the format and line sequence of the form; and

(5) Be on the same size paper as the form.

Part I—Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances.—

All organizations filing Form 990 with IRS or any state must complete Part I. Some states that accept Form 990 in place of their own forms require additional information.

Line 1—Contributions, Gifts, Grants, and Similar Amounts Received.—On lines 1a through 1c, report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full value from the recipient (donee) organization. (For grants, see "Grants that are equivalent to contributions," page 6.) Report all expenses of raising contributions in column (D), Part II, and on line 15 of Part I.

Contributions can arise from special fundraising events when excess payment received for items offered.— Special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. When a buyer, at such an event, pays more for goods or services than their retail value, report as a contribution both on line 1a and on line 9a (within the parentheses) any amount paid in excess of the retail value. This usually occurs when organizations seek public support through solicitation programs that are both special fundraising events or activities and solicitations for contributions.

For example, an organization announces that anyone who contributes at least $40 to the organization can choose to receive a book worth $16 retail value. A person who gives $40, and who chooses the book, is really purchasing the book for $16 and also making a contribution of $24. The contribution of $24, which is the amount by which the buyer's payment is more than the $16 retail value of the book, would be reported on line 1a and again on the description line of 9a (within the parentheses). The revenue received ($16 retail value of the book) would be reported in the amount column on line 9a.

If a contributor gives more than $40, that person would be making a larger contribution, the difference between the book's retail value of $16 and the amount actually given. (Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also line 9 instructions and Publication 1391.)

The expenses relating directly to the sale of the book would be reported on line 9b. However, all other expenses of raising contributions would be reported in column (D), Part II (fundraising expense) and on line 15 of Part I.

At the time of any solicitation or payment, organizations that are eligible to receive contributions should advise patrons of the amount deductible for federal tax purposes.

Contributions can arise from special fundraising events when items of only nominal value offered.—If an organization offers goods or services of only nominal value through a special fundraising event, report the entire amount received for such benefits as a contribution on line 1a (direct public support). Report all related expenses in column (D), Part II. Benefits have a nominal value when:

(a) The benefit's fair market value is not more than two percent of the payment, or $50, whichever is less; or

(b) The payment is $27.26 or more and the organization's cost is $5.45 or less for all benefits received by a donor during the calendar year. These amounts are adjusted annually for inflation. (See Rev. Proc. 90-12, 1990-1 C.B. 471.)

Section 501(c)(3) organizations.—Correctly dividing gross receipts from special fundraising events into revenue and contributions is especially important for a section 501(c)(3) organization that claims public support as described in sections 170(b)(1)(A)(vi) or 509(a)(2). In the public support computations of these Code sections, the revenue portion of gross receipts may be: (a) excluded entirely, (b) treated as public support, or (c) if the revenue represents unrelated trade or business income, treated as nonpublic support.

Section 501(c)(3) organizations must divide gross receipts from special fundraising events into revenue and contributions according to the above instructions when preparing the Support Schedule in Part IV of Schedule A (Form 990).

The Support Schedule generally includes only the four preceding years but also includes the current year if there have been material changes in the organization's sources of support in that year.

Section 501(c)(9), (17), (18), and (20) organizations.—These organizations provide life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits or a combination of these benefits to participants. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

Donations of services are not contributions.—In Part I, do not include the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities as contributions on line 1. See the instructions for Part III and for Part VI, line 82, for the optional reporting of such amounts in Parts III and VI.

Grants that are equivalent to contributions.—Grants that encourage an organization receiving the grant to carry on programs or activities that further its exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may require that the programs of the grant recipient (grantee) conform to the grantor's own policies and may specify the use of the grant, such as use for the restoration of a historic building or a voter registration drive.

A grant is still equivalent to a contribution if the grant recipient provides a service or makes a product that benefits the grantor incidentally. (See examples in line 1c instructions.) However, a grant is a payment for services, and not a contribution, if the grant requires the grant recipient to provide that grantor with a specific service, facility, or product rather than to give a direct benefit primarily to the general public or to that part of the public served by the organization. In general, do not report as contributions any payments for a service, facility, or product that primarily give some economic or physical benefit to the payer.

For example, a public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey to determine voter attitudes on issues of interest to the grantor. The grantor plans to use the results of the survey to plan its own program for the next three years. Under these circumstances, since the survey serves the grantor's direct needs and benefits the grantor more than incidentally, the grant to the organization making the survey is not a contribution. The grant recipient should not report the grant as a contribution but should report it on line 2 as program service revenue.

Treat research to develop products for the payer's use or benefit as directly serving the payer. However, generally, basic research or studies in the physical

or social sciences should not be treated as serving the payer's needs.

See Regulations section 1.509(a)(3)(g) to determine if a grant is a contribution reportable on line 1 or a revenue item reportable elsewhere on Form 990.

Noncash contributions.—To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. (See section 20.2031-1 of the Estate Tax Regulations for rules to determine the value of contributed stocks and bonds.) When market value cannot be readily determined, use an appraised or estimated value.

To determine the amount of any noncash contribution that is subject to an outstanding debt, subtract the debt from the property's fair market value. Record the asset at its full value and record the debt as a liability in the books of account. See also **Note (1)** in the instructions for line 1d.

Line 1a—Direct public support.—*Contributions, gifts, grants, and similar amounts received.*—Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received directly from the public. Include amounts received from individuals, trusts, corporations, estates, and foundations. Also include contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization. (See the instructions for line 1b.)

Membership dues.—Report on line 1a membership dues and assessments that represent contributions from the public rather than payments for benefits received (see the instructions for line 3) or payments from affiliated organizations.

Government grants.—Report government grants on line 1c if they represent contributions, or on line 2 if they represent fees for services.

Commercial co-venture.—Report amounts contributed by a commercial co-venture on line 1a as a contribution received directly from the public. These are amounts received by an organization (donee) for allowing an outside organization to use the donee's name in a sales promotion campaign. In such a campaign, the donor advertises that it will contribute a certain dollar amount to the donee organization for each unit of a particular product or service sold or for each occurrence of a specific type.

Contributions received through special fundraising events.—Report contributions received through special fundraising events on line 1a. (See line 1 instructions above and the instructions for line 9.)

Line 1b—Indirect public support.—Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state and allocate part of the net proceeds to each participating organization on the basis of individual donors' designations and other factors.

Include on line 1b amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1b.

Line 1c—Government grants.—The preceding line 1 instructions on page 6, under the heading "Grants that are equivalent to contributions," apply to this item in particular. A grant or other payment from a governmental unit represents a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

The following are examples of governmental grants and other payments that represent contributions:

1. Payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public;

2. Payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents;

3. Payments to child placement or child guidance organizations under government programs serving children in the community. The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.

Line 1d—Total contributions, etc.—Enter the total of amounts reported on lines 1a through c.

Schedule of contributors (not open to public inspection. **Caution:** See Note (2) below).—Attach a schedule listing contributors who gave the organization, directly or indirectly, money, securities, or other property worth $5,000 or more during the year. If no one contributed the reportable minimum, you do not need to attach a schedule. Show each contributor's name and address, the total amount received, and the date received. Contributors include individuals, fiduciaries, partnerships, corporations, associations, trusts, or exempt organizations.

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

In determining whether a contributor gave $5,000 or more, total that person's gifts of $1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value. See Note (1) below.

If an organization meets the terms of either of the following exceptions, some information in its schedule will vary from that described above.

Exception 1: *Organization described in section 501(c)(3) that meets the 33⅓% support test of the Regulations under section 170(b)(1)(A)(vi) (whether or not the organization is otherwise described in section 170(b)(1)(A)).*

The schedule should give the above information only for contributors whose gifts of $5,000 or over are more than 2% of the total gifts (reported on line 1d) that the organization received during the year.

Exception 2: *Organization described in section 501(c)(7), (8), (10), or (19) that received contributions or bequests for use only as described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).*

The schedule should list each person whose gifts total $1,000 or more during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total gifts that were $1,000 or less and were for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

Note (1): *For contributions to you of property (other than publicly traded securities) whose fair market value is more than $5,000, you should usually receive a partially completed* **Form 8283,** *Noncash Charitable Contributions, from the contributor. You should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for your records. See also General Instruction C15.*

Note (2): *If you file a copy of Form 990 and attachments with any state, do not include, in the attachments for the state, the schedule of contributors discussed above, unless the list is specifically required by the state with which you are filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

Lines 2-11.—Note: *Do not enter any contributions on lines 2-11. Enter all contributions on line 1. If you enter contributions on lines 2-11, you will be unable to complete Part VII correctly.*

Line 2—Program service revenue.—Enter the total program service revenue (exempt function income) as reported in

Part VII, lines 93(a)–(g). Program services are primarily those that form the basis of an organization's exemption from tax. (See the instructions for Part II, column (B).)

Examples.—A hospital would report on this line all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Other examples of program service revenue are tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

Program-related investments.—Program service revenue also includes income from program-related investments. These investments are made primarily for accomplishing an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Unrelated trade or business activities.—Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Sales of inventory items by hospitals, colleges, and universities.—Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types of organizations that file Form 990. Accordingly, hospitals, colleges, and universities may report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, show the applicable cost of goods sold as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations, however, should not report sales of inventory items on line 2.

Line 3—Membership dues and assessments.—Enter members' and affiliates' dues and assessments that are not contributions.

When available membership benefits are worth more than a nominal amount, it is implied that a member pays dues to receive those benefits and not to make a contribution.

(a) Dues and assessments received that compare reasonably with available benefits.—When dues and assessments are received that compare reasonably with available membership benefits, report such dues and assessments on line 3.

(b) Organizations, other than section 501(c)(3) organizations.—Organizations that are other than those described in section 501(c)(3) generally provide benefits that have a reasonable relationship to dues. This occurs usually in organizations described in sections 501(c)(5), (6), or (7), although benefits to members may be indirect. Report such dues and assessments on line 3.

(c) Dues or assessments received that exceed the value of available membership benefits.—Whether or not membership benefits are used, dues received by an organization, to the extent they are more than the monetary value of the membership benefits available to the dues payer, are a contribution includable on line 1a. (See Rev. Ruls. 54-565, 1954-2 C.B. 95 and 68-432, 1968-2 C.B. 104.)

(d) Dues received primarily for the organization's support.—When a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includable on line 1a.

Examples of membership benefits.—Examples of such benefits include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard other intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

Line 4—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, etc., are really interest and should be entered on line 4.

Line 5—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends that are reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 55. Do not include rental income from an exempt function (program service). For example, an organization whose exempt purpose is to provide low rental housing to persons with low income receives exempt function income from such rentals. Report such income on line 2 and report the related expenses in column (B) of Part II. Rental income, however, is not exempt function income when an organization rents office space, or other facilities or equipment, to *unaffiliated* exempt organizations. Report such rental income on line 6a, unless the rent charged is well below the fair rental value of the property and the purpose for charging rent at less than fair rental value was to help the organization that rented the property to carry out its own exempt purpose.

Only for purposes of completing this return, treat income from renting property to *affiliated* exempt organizations as exempt function income (program service revenue) and report it on line 2.

Line 6b—Rental expenses.—Enter the expenses paid or incurred for the income reported on line 6a. Include depreciation if it is recorded in the organization's books and records.

Line 6c—Net rental income or (loss).—Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7—Other investment income.—Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments (see the instructions for line 2). Also exclude unrealized gains and losses on investments carried at market value (see the instructions for line 20).

Lines 8a–d—Capital gains.—Report on lines 8a–c all sales of securities in column (A). Use column (B) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other capital assets (such as program-related investments and fixed assets used by the organization in its regular activities).

On line 8a, for each column, enter the total gross sales price of all involved assets. Total the cost or other basis (less depreciation), and selling expenses and enter the result on line 8b. On line 8c, enter the net gain or loss. On lines 8a and 8c, report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described below.

Combine the gain and/or loss figures reported on line 8c, columns (A) and (B), line 8c and report that total on line 8d. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

For reporting sales of securities on Form 990, you may use average cost basis to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss. For reporting sales of securities on Form 990-T, however, do not use average cost basis to determine gain or loss.

Attached schedule.—(a) Assets other than publicly traded securities and inventory.—Attach a schedule showing

the sale or exchange of non-publicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for for each of these assets:

(a) date acquired and how acquired;

(b) date sold and to whom sold;

(c) gross sales price;

(d) cost, other basis, or if donated, value at time acquired (state which);

(e) expense of sale and cost of improvements made after acquisition, and

(f) if depreciable property, depreciation since acquisition.

(b) Publicly traded securities.—In the attached schedule, for sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required by the above paragraph. For preparing Form 990, publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

Lines 9a–c—Special fundraising events and activities.—On the appropriate line, enter the gross revenue, expenses, and net income from all special fundraising events and activities, such as dinners, dances, carnivals, raffles, bingo games, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities. This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services.

Characterizing any required payment as a "donation" or "contribution" on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990. As discussed above, the amount of the contribution is the excess of the amount paid over the value received by the payer. (See Publication 1391.)

Special fundraising events may generate both revenue and contributions.—Special fundraising events sometimes generate both contributions and revenue. When a buyer pays more than the value of the goods or services furnished, enter

(1) as gross revenue, on line 9a (in the amount column) the value of the goods or services

(2) as a contribution, on both line 1a and line 9a, (within the parentheses) the amount received that exceeds the value of the goods or services given.

Report on line 9b, only the expenses directly attributable to the goods or services the buyer receives from a special fundraising event. If you include an expense on line 9b, do not report it again on line 10b or in Part II.

For example, at a special fundraising event, an organization received $100 in gross receipts for goods valued at $40. The organization entered gross revenue of $40 on line 9a and entered a contribution of $60 on both line 1a and line 9a (within the parentheses). The contribution was the difference between the gross revenue of $40 and the gross receipts of $100.

For further guidance regarding contributions and revenue, see line 1 instructions.

Sales of goods or services of only nominal value.—If the goods or services offered at special fundraising events have only nominal value, include all of the receipts as contributions on line 1a and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II. See line 1 instructions for a definition of nominal amounts, which are adjusted annually for inflation.

An activity may generate only contributions.—An activity which generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event and should not be reported on line 9.

Sweepstakes, raffles and lotteries may produce revenue or contributions.—The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called "sweepstakes" or "lotteries") are contributions and the related expenses are fundraising expenses reportable in column D of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special fundraising events unless the prizes awarded have only nominal value.

Attached schedule.—Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event the gross receipts, the amount of contributions included in gross receipts (see the instructions above), the gross revenue (gross receipts less contributions), the direct expenses, and the net income (gross revenue less direct expenses).

Furnish the same information in total figures for all other special events held that are not among the three largest. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule might appear in columnar form as follows:

Special Events:	(A)	(B)	(C)	Total
Gross Receipts	$XXX	$XXX	$XXX	$XXX
Less: Contributions	XXX	XXX	XXX	XXX
Gross Revenue	XXX	XXX	XXX	XXX
Less: Direct Expenses	XXX	XXX	XXX	XXX
Net Income	$XXX	$XXX	$XXX	$XXX

If you use the above schedule, report the total for contributions on line 1a of Form 990 and on line 9a (within the parentheses of the description line). Report the totals for gross revenue on line 9a; direct expenses on line 9b; and net income on line 9c.

Fundraising record retention.—Section 501(c) organizations that are eligible to receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as dues statements or other fundraising solicitations, tickets, receipts, or other evidence of payments received in connection with fundraising activities. If organizations advertise their fundraising events, they must keep samples of the advertising copy. If they use radio or television to make their solicitations, they must keep samples of scripts, transcripts, or other evidence of on-air solicitations. If organizations retain outside fundraisers, they must keep samples of the fundraising materials used by the outside fundraisers. For each fundraising event, organizations must keep records to show that portion of any payment received from patrons which is not deductible; that is, the fair market value of the goods or services received by the patrons.

Lines 10a–c—Gross profit on sales of inventory.—Enter the gross sales (less returns and allowances), cost of goods sold, and gross profit (or loss) from the sale of all inventory items, other than those sold in special fundraising events and activities reported on line 9. These are inventory items the organization either makes to sell to others or buys for resale. This does not include investments on which the organization expected to profit by appreciation and sale. Report sales of investments on line 8. On line 10, report sales revenue and the related cost of goods sold, whether the sale of the merchandise involved is an exempt function or an unrelated trade or business.

Hospitals, colleges, and universities can, however, use an optional method of reporting sales of inventory items (see line 2 instructions).

Line 11–Other revenue.—Enter the total amount from Part VII, lines 103(a)–(e). This figure represents the total income from all sources not covered by lines 1 through 10. Examples of income includable on line 11 are interest on notes receivable not held as investments; interest on loans to officers, directors, trustees, key employees and other employees; and royalties that are not investment income or program service revenue.

Line 12—Total revenue.—Enter the total of lines 1d through 11.

Lines 13 through 15—Program services, management and general, and fundraising expenses.—*Section 4947(a)(1) charitable trusts and section 501(c)(3) and (c)(4) organizations.*—Complete Part II and then enter on lines 13 through 15 the appropriate amounts from the totals for columns (B), (C), and (D) reported on line 44, Part II.

All other organizations.—You are not required to complete lines 13 through 15.

Line 16—Payments to affiliates.—This expense classification is used to report certain types of payments to organizations "affiliated with" (closely related to) a reporting agency.

Payments to affiliated state or national organizations.—Dues payments by the local charity to its affiliated state or national (parent) organization are usually reported on line 16. Report on this line predetermined quota support and dues payments (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes, i.e., general use of funds for the national organization's own program and support services.

Purchases from affiliates.—Purchases of goods or services from affiliates are not reported on line 16 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates.—In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if:

(1) the goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and

(2) the costs involved are not connected with the management and general or fundraising functions of the reporting organization (for example, when a local organization furnishes a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list).

Federated fundraising agencies.—These agencies (see the instructions for line 1b) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as awards and grants (line 22) and quota support payments to their state or national organization as payments to affiliates (line 16).

Voluntary awards or grants to affiliates.—Do not report voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes on line 16. Report such awards or grants on line 22, Grants and allocations.

Membership dues paid to other organizations.—Membership dues that are paid to obtain general membership benefits, such as regular services, publications, and materials, from other organizations should be reported as "Other expenses" on line 43. This is the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.

Attached schedule.—Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate.

Note: *Properly distinguishing between payments to affiliates and awards and grants is especially important if you use Form 990 for state reporting purposes (see instruction E). If you use Form 990 only for reporting to IRS, payments to affiliated state or national organizations that do not represent membership dues reportable as "Other expenses" on line 43 (see instructions above) may be reported either on line 16 or line 22 and explained in the required attachment.*

Line 17—Total expenses.—Organizations using only column (A) of Part II should enter the total of line 16 and line 44 of column (A), Part II. Other organizations should enter the total of lines 13 through 16. Organizations using Form 5500, 5500-C/R, or an approved DOL form as a partial substitute for Form 990 (see instruction F) should enter the total expense figure from Form 5500 or 5500-C/R, or from the required reconciliation schedule if Form LM-2 or LM-3 is used.

Line 18—Excess or (deficit) for the year.—Enter the difference between lines 12 and 17. If line 17 is more than line 12, enter the difference in parentheses.

Line 19—Net assets or fund balances, beginning of year.—Enter the amount from column (A) of line 74 (or from Form 5500, 5500-C/R, or an approved DOL form if instruction F applies).

Line 20—Other changes in net assets or fund balances.—Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity and unrealized gains and losses on investments carried at market value.

Line 21—Net assets or fund balances, end of year.—Enter the total of lines 18, 19, and 20. This total figure must equal the amount reported in column (B) of line 74.

Part II—Statement of Functional Expenses.—

Column (A).—All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 or 5500-C/R as a partial substitute for Form 990 in accordance with instruction F.

Columns (B), (C), and (D).—These columns are optional for all organizations other than section 4947(a)(1) charitable trusts and section 501(c)(3) and (c)(4) organizations. Section 4947(a)(1) charitable trusts and section 501(c)(3) and (c)(4) organizations must complete columns (B), (C), and (D).

In Part II the organization's expenses are designated by object classification (e.g., salaries, legal fees, supplies, etc.) and allocated into three functions: program services (column (B)); management and general (column (C)); and fundraising (column (D)). These functions are explained below in the instructions for the columns. Do not include in Part II any expense items you must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D) (but see instructions E and S3). If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used. The amounts reported should be accurate and the method of allocation documented in the organization's records.

Report in the appropriate column expenses which are directly attributable to a particular functional category. In general, allocate expenses which relate to more than one functional category. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total.—For Column (A), total each line item of columns (B), (C), and (D) in Part II. Except for expenses you report on lines 6b, 8b, 9b, 10b, or 16 of Part I, you should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program services.—Program services are mainly those activities which the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source.

Program services can also include the organization's unrelated trade or business activities. For example, publishing a magazine is a program service even though it contains both editorials and articles that further the organization's exempt purpose and advertising, the income from which is taxable as unrelated business income.

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if you report the grant on line 1 as a contribution.

Column (C)—Management and general.—Use column (C) to report the organization's expenses for overall management and functioning, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising

activities, their salaries and expenses should be allocated among those functions. Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting, auditing, personnel, and other centralized services; investment expenses (except those relating to rental income and program-related income—report rental expenses on line 6b and program-related expenses in column (B)); general liability insurance; preparation, publication, and distribution of an annual report; and office management.

However, you should report only general expenses in column (C). Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising.—Fundraising expenses represent the total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests and grants from foundations or other organizations, or government grants reportable on line 1c; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions, and other materials; and (e) conducting special fundraising events that generate contributions reportable on line 1a in addition to revenue reportable on line 9a. However, any expenses attributable to revenue on line 9a (that is, the direct expenses incurred in furnishing the goods or services sold) should be reported on line 9b.

Allocating indirect expenses.—Colleges, universities, hospitals, and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in a single step or in multiple steps may find it easier to report these expenses in the following optional manner:

First, report the expenses of these indirect cost centers on lines 25 through 43 of the management and general expense column in Part II, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center to program services, management and general, and fundraising as a separate item entry on line 43, Other expenses. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special fundraising events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense in both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), Program services, and (D), Fundraising, enter these expenses as positive amounts in these columns and as single negative amounts in column (C). Do not make any entries in column (A), Total, for these offsetting entries.

The following example illustrates the above instructions. An organization reports $50,000 of actual management and general expenses and $100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 25 through 43 of column (C) would be $150,000 before the allocations were made. Assume that $10,000 (of the $100,000 total expenses of the cost center) was allocable to fundraising; $70,000 to various program services; $15,000 to management and general functions; and $5,000 to special fundraising events and activities. To report this in Part II under this alternate method:

(1) Indicate the cost center, the expenses of which are being allocated, on line 43, as "Allocation of (specify) expenses";

(2) Enter a decrease of $5,000 on the same line in the Total column, representing the special fundraising event expenses already reported on line 9b in Part I;

(3) Enter $70,000 on the same line in the Program services column;

(4) Enter $10,000 on the same line in the Fundraising column; and

(5) Enter a decrease of $85,000 on the same line in the Management and general column, representing the allocations to functional areas other than management and general.

After making these allocations, the column (C) total (line 44, column (C)) would be $65,000, consisting of the $50,000 aggregate amount and the $15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a simple one-step allocation that shows how to report the allocation in Part II. This reporting method would actually be needed more in the case of multiple step allocations in which two or more cost centers are involved. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, and so on. The greater the number of these cost centers which are allocated out, the more difficult it is to preserve the identity of the object classification of the expenses of each cost center (e.g., salaries, interest, supplies, etc.). The reporting method described above avoids this problem.

Note: *The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions do not in any way permit the allocation to other functions of expenses that should be reported as management and general expenses.*

Line 22—Grants and allocations.—Enter the amount of awards and grants to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies.

Report voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also on line 22, but not required payments to affiliates reportable on line 16.

Report scholarship, fellowship, and research grants to individuals on line 22. Certain other payments to or for the benefit of individuals may be reportable on line 23 instead. See the instructions for line 23 for specific information.

Report only the amount of actual grants and awards on line 22. Report expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award on lines 25 through 43.

Attached schedule.—Attach a schedule of amounts reported on line 22. Show on the schedule: (a) each class of activity; (b) donee's name and address and the amount given; and (c) (in the case of grants to individuals) relationship of donee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If the property's fair market value when the organization gave it is the measure of the award or grant, also show on the schedule: (a) a description of the property; (b) its book value; (c) how the book value was determined; (d) how the fair market value was determined; and (e) the date of the gift. Record any difference between fair market value and book value in the organization's books of account.

Line 23—Specific assistance to individuals.—Enter the amount of payments to or for the benefit of particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person or persons to receive the assistance available through the use of the grant funds. For example, report a payment to a hospital to cover the medical expenses of a particular individual on line 23, but do not report a contribution to a hospital to provide some service to the general public or to unspecified charity patients on this line. Also, do not include scholarship, fellowship, or research grants to individuals even though selected by the grantor organization. Report these grants on line 22 instead.

Attach a schedule showing the total payments for each particular class of activity, such as food, shelter, and clothing for indigents or disaster victims; medical, dental, and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24—Benefits paid to or for members.—For an organization that provides benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report the cost of employment-related benefits the organization provides its officers and employees on this line. Report those expenses on lines 27 and 28.

Line 25—Compensation of officers, directors, etc.—Enter the total compensation paid to officers, directors, and trustees for the year. In Part V give the name and compensation (if any) of each officer, director, and trustee, along with the other information requested. If no compensation was paid, enter a zero.

Each person you list should report this compensation on his or her income tax return, unless the Code specifically excludes any of the payments from income tax. See Publication 525 for more information.

You must file Form 941 to report income tax withholding and social security taxes, and you must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Line 26—Other salaries and wages.—Enter the total of employees' salaries not reported on line 25.

Line 27—Pension plan contributions.—Enter the employer's share of contributions that the organization paid to qualified and nonqualified pension plans for the year. Complete Form 5500 or 5500-C/R, as appropriate, for your plan and file as a separate return. If you have more than one plan, complete the appropriate form for each plan. File the form by the last day of the 7th month after the plan year ends. See instruction C14.

Line 28—Other employee benefits.—Enter the amount of your contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan included on line 27. Also see instruction C14 and the instructions for Form 5500.

Line 29—Payroll taxes.—Enter the amount of Federal, state, and local payroll taxes for the year, but only those taxes that are imposed on the organization as an employer. This includes the employer's share of FICA taxes, the FUTA tax, state unemployment compensation taxes, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid to the various governmental units (such as Federal and state income taxes and the employees' shares of FICA tax).

Line 30—Professional fundraising fees.—Enter the organization's fees to outside fundraisers for solicitation campaigns they conducted, or for consultation services connected with a solicitation of contributions by the organization itself.

Line 31—Accounting fees.—Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32—Legal fees.—Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, Other expenses.

Line 33—Supplies.—Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34—Telephone.—Enter the total telephone, telegram, and similar expenses for the year.

Line 35—Postage and shipping.—Enter the total amount of postage, parcel delivery, trucking, and other delivery expenses, including the cost of shipping materials.

Line 36—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than those reported on line 34), outside janitorial services, mortgage interest, real estate taxes, and similar expenses. Do not include depreciation (reportable on line 42) or any salaries of your own employees (reportable on line 26).

Line 37—Equipment rental and maintenance.—Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38—Printing and publications.—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials. (However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.) Also include the cost of any purchased publications.

Line 39—Travel.—Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments.

Line 40—Conferences, conventions, and meetings.—Enter the total expenses incurred by the organization in conducting meetings relating to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses, and printed materials. However, do not include on this line the salaries and travel expenses of the reporting organization's own officers, directors, trustees, and employees who participate. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings, or conventions conducted by other organizations.

Line 41—Interest.—Enter the total interest expense for the year, excluding any interest attributable to rental property (reported on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42—Depreciation, depletion, etc.—If your organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. You are not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute the depreciation you report on Form 990. If you record depreciation using MACRS, attach **Form 4562**, Depreciation and Amortization, or a schedule showing the same information required by Form 4562. If you do not use MACRS, attach a schedule showing how you computed depreciation.

You should use the same method of computing depreciation on line 42 that you use for the balance sheet, Part IV of this Form 990.

If you claim a deduction for depletion, attach a schedule explaining the deduction.

Line 43—Other expenses.—Indicate the type and amount of each significant expense for which a separate line is not provided. Report all other miscellaneous expenses as a single total. Expenses that might be reported here include: investment counseling and other professional fees not reportable on lines 30 through 32; penalties, fines, and judgments; unrelated business income taxes; and real estate taxes not attributable to rental property or reported as occupancy expenses. Attach a schedule if more space is needed.

Some states that accept Form 990 in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See instruction E.

Line 44—Total functional expenses.—Add lines 22 through 43 and enter the totals in columns (A), (B), (C), and (D). Report the column (B) total on line 13 of Part I; the column (C) total on line 14; and the column (D) total on line 15.

Part III—Statement of Program Service Accomplishments.—

Provide the information specified in the heading of Part III for each of the organization's four largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in four or fewer of such activities. If part of the total expenses of any program service consists of grants and allocations reported on line 22, indicate the amount of the grants and allocations in the space provided.

Attach a schedule that lists the organization's other program services and the total expenses incurred for each. For this schedule, you need not give the detailed information as required in Part III for the four largest services.

If the organization reports, on line 82b, the value of any donated services or use of materials, equipment, or facilities it received, it can also indicate in Part III the amount received and utilized for specific program services. However, disclose the applicable amounts only on the lines for

the narrative description of the appropriate program services. Do not include these amounts in the expense column in Part III.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Specify the service outputs, products, or other measures of a program service, such as clients served, days of care, therapy sessions, or publications issued. Indicate the number of outputs or products rendered, such as 4,080 counseling contacts.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

You may furnish reasonable estimates for the statistical information (number of clients, patients, etc.) called for by Part III if exact figures are not readily available from your records. In that event, please indicate that the information provided is an estimate.

Listing expenses optional for certain organizations.—If your organization was not required to complete column (B) of Part II (see the instructions to Part II), you need not list the expenses of the program services you report in Part III or on the attached schedule described above.

Part IV—Balance Sheets.—

All organizations except those that meet one of the exceptions in instruction F above, must complete all of Part IV and may not submit a substitute balance sheet. Failure to complete Part IV may result in penalties for filing an incomplete return. See instruction K. See instruction E for more information about completing a Form 990 to be filed with any state or local government agency.

When a schedule must be attached for any line item in Part IV, the schedule is required only for the end-of-year balance sheet figure reported in column (B). Similarly, give the end-of-year figures for any receivables or depreciable assets and the related allowance for doubtful accounts or accumulated depreciation reported in the description column.

Line 45—Cash—noninterest-bearing.—Enter the total of noninterest-bearing checking accounts, deposits in transit, change funds, petty cash funds, or any other noninterest-bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46—Savings and temporary cash investments.—Enter the total of interest-bearing checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year. Report the income from these investments on line 4.

Line 47—Accounts receivable.—Enter the total accounts receivable (reduced by the allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Report claims against vendors or refundable deposits with suppliers or others there, if not significant in amount. (Otherwise, report them on line 58, Other assets.) Report any receivables due from officers, directors, trustees, or key employees on line 50. Report receivables (including loans and advances) due from other employees on line 58.

Line 48—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 49—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 50—Receivables due from officers, directors, trustees, and key employees.—Report all receivables due from officers, directors, trustees, and key employees and all secured and unsecured loans to such persons on line 50 and in an attached schedule described below. The term "key employees" refers to the chief administrative officers of an organization (such as an executive director or chancellor) but does not include the heads of separate departments or smaller units within an organization.

Attached schedule.—(a) In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans. Report salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, as separate loans for each officer, director, etc.

(b) Report receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose during the normal course of the organization's operations as a single total for all the officers, directors, trustees, and key employees. Report travel advances for official business of the organization as a single total.

For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

(a) Borrower's name and title;
(b) Original amount;
(c) Balance due;
(d) Date of note;
(e) Maturity date;
(f) Repayment terms;
(g) Interest rate;
(h) Security provided by the borrower;
(i) Purpose of the loan; and
(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc. common stock—$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total (see instruction (b) above); however, report and identify those totals separately in the attachment.

Line 51—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also identify the relationship of the borrower to any officer, director, trustee, or key employee of the organization.

Notes receivable from loans by a credit union to its members, and scholarship loans by a section 501(c)(3) organization, do not have to be itemized. Merely identify these loans as such on a schedule and indicate the total amount of such loans that are outstanding.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full details of a loan to a section 501(c)(4) organization but would have to provide only the name of the borrower and the balance due on a note arising from a loan to another section 501(c)(3) organization.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization). A schedule of these loans is not required.

Report loans to officers, directors, trustees, and key employees on line 50. Report loans to other employees on line 58.

Line 52—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held for future sale or use.

Line 53—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred for a solicitation campaign of a future accounting period.

Line 54—Investments—securities.—Enter the book value (which may be market value) of securities held as investments. Attach a schedule that lists the securities held at the end of the year. Indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Debt securities of the U.S., state, and municipal governments, corporate stocks and bonds, and other publicly traded securities (defined in the instructions for line 8) do not have to be listed individually, except for stock holdings that represent 5% or more of the outstanding shares of stock of the same class. However, show separate totals for each

type of security (U.S. Government obligations, corporate stocks, etc.). Do not include amounts reported on line 46.

Line 55—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56—Investments—other.—Enter the amount of all other investment holdings not reported on line 54 or 55. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end-of-year market value. Report the income from these assets on line 7. Do not include program-related investments (see instructions for line 58).

Line 57—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This includes any property, plant, and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58—Other assets.—List and show the book value of each category of assets not reportable on lines 45 through 57. Attach a separate schedule if more space is needed.

One type of asset reportable on line 58 is program-related investments, which are investments made primarily to accomplish some exempt purpose of the filing organization rather than to produce income.

Line 59—Total assets.—Enter the total of lines 45 through 58.

Line 60—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 62—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 63—Loans from officers, directors, trustees, and key employees.—Enter the unpaid balance of loans received from officers, directors, trustees, and key employees (see the instructions for line 50 for definition). For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 50.

Line 64—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in items (b) through (j) of the instructions for line 50. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65—Other liabilities.—List and show the amount of each liability not reportable on lines 60 through 64. Attach a separate schedule if more space is needed.

Line 66—Total liabilities.—Enter the total of lines 60 through 65.

Lines 67 through 74—Fund Balances or Net Assets.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 67 and complete lines 67 through 70 to report the various fund balances. Also complete line 74 to report the sum of the fund balances and complete line 75 to report the sum of the total liabilities and fund balances.

Organizations not using fund accounting should see the instructions under that heading given below for completing lines 71 through 74.

Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets; similar designations by the organization's governing board; and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), revenue, and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. *Parts I, II, IV, and VII of this form, however, require such consolidation.* Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 67 through 70) of the balance sheet.

Some states that accept Form 990 as their basic report form may require a separate statement of changes in fund balances. See instruction E.

Lines 67a and 67b—Current funds.—Enter the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 68—Land, building, and equipment fund.—Enter the fund balance per books for the land, building, and equipment fund (plant fund).

Line 69—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Report annuity and life income fund balances on this line if not significant in amount, or, report them on line 70. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 70—Other funds.—Enter the total of the fund balances for all funds not reported on lines 67 through 69. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 71 and report account balances on lines 71 through 73. Report net assets on line 74. Also complete line 75 to report the sum of the total liabilities and net assets.

Line 71—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 72—Paid-in or capital surplus.—Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others gave donations that the organization records as paid-in capital, include them here. Report any current-year donations you included on line 72 in Part I, line 1.

Line 73—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 74—Total fund balances or net assets.—For organizations that use fund accounting, enter the total of lines 67 through 70. For all other organizations, enter the total of lines 71 through 73. Enter the beginning-of-the-year figure in column (A) in Part I, line 19. The end-of-year figure in column (B) should agree with the figure on line 21 of Part I.

Line 75—Total liabilities and fund balances/net assets.—Enter the total of

lines 66 and 74. That figure must equal the figure for total assets reported on line 59 for both the beginning and end of the year.

Part V—List of Officers, Directors, and Trustees.—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. List all of these persons even if they did not receive any compensation from the organization. Enter "-0-" in Columns (C), (D) and (E) if none was paid.

Show all forms of compensation received by each listed officer, etc.

Column (C).—Enter salary, fees, bonuses, and severance payments received by each person listed.

Column (D).—Include all forms of deferred compensation (whether or not funded and whether or not the deferred compensation plan is a qualified plan under section 401(a)) and payments to welfare benefit plans on behalf of the officers, etc.

Column (E).—Enter expense allowances or reimbursements that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. Refer to Publication 525 for more information.

Part VI—Other Information.—

Line 76—Change in activities.—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities are those not listed as current or planned in your application for recognition of exemption; or those not yet reported to IRS by a letter to your key district director or by an attachment to your return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

Line 77—Changes in organizing or governing documents.—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A "conformed" copy is one that agrees with the original document, and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official do not have to be accompanied by such a declaration. See Rev. Proc. 69-14, 1968-1 C.B. 768, for more information. When a number of changes are made, send a copy of the entire revised organizing instrument or governing document.

Line 78—Unrelated business income.—Check "Yes" on line 78a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is gross receipts less the cost of goods sold. See Publication 598 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), 501(e), 501(f), and 501(k) organizations having such income. *Form 990-T is not a substitute for Form 990.* Report on Form 990 items of income and expense also reported on Form 990-T when the organization is required to file both forms. For purposes of line 78, the term "business activities" includes any income-generating activity involving the sale of goods or services or income from investments.

Note: *All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income. You may use Form 990-W to compute this tax.*

Line 78c.—If you answer "Yes" to this question, complete Part IX, Information Regarding Taxable Subsidiaries.

Line 79—Liquidation, dissolution, termination, or substantial contraction.—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining which took place.

For a complete liquidation of a corporation or termination of a trust, write *Final Return* at the top of the organization's Form 990. On the statement you attach, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing: the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* means any disposition for the tax year that is:

(a) At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or

(b) One of a series of related dispositions begun in earlier years that, together, add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80—Relation to other organizations.—Answer "Yes" if most of the organization's governing body, officers, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard a coincidental overlap of membership with another organization (that is, when membership in one organization is not a condition of membership with another organization). For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80 if it does not require its members to belong to the chamber of commerce.

Also disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80 even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80.

Line 81—Expenditures for political purposes.—A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

(a) All section 501(c) organizations.—Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

(b) Section 501(c)(3) organizations.—A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay an excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization, who knowingly agrees to a political expenditure, must pay an excise tax unless the agreement is not willful and there is reasonable cause. A manager, who does not agree to a correction of the

political expenditure, may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

(1) Remuneration to the individual (a candidate or prospective candidate) for speeches or other services;

(2) Travel expenses of the individual;

(3) Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual;

(4) Expenses of advertising, publicity, and fundraising for such individual; and

(5) Any other expense which has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

Use Form 4720 to figure and report the excise taxes.

Line 82—Donated services or facilities.—Because Form 990 is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, you may enter the information on line 82b. IRS does not require any organization to keep such records. Do NOT include the value of such items in Part I or II or in the expense column in Part III. However, you may indicate the value of donated services or use of materials, equipment, or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 84a.—All organizations that qualify under section 170(c) to receive contributions that are deductible as charitable contributions for Federal income tax purposes, enter N/A.

Line 85—Section 501(c)(5) or (6) organizations.—Attempts to influence the opinion of the general public, or any segment of the general public, on legislative matters or referendums constitute grassroots lobbying. Such lobbying may be explicit, as in an advertisement that urges the public to contact legislators for the purpose of proposing, supporting, or opposing legislation. Grassroots lobbying may also be implicit in any advertisement or other communication directed at the public if the communication is an attempt to mold public opinion on a legislative matter or referendum. Any lobbying directed at the members of the organization is not grassroots lobbying. Lobbying directed at "potential" members, employees of members, or stockholders of members would be grassroots lobbying. See Regulations section 1.162-20(c) for a discussion of grassroots lobbying.

Line 86—Section 501(c)(7) organizations.—*Gross receipts test.*—A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club's facilities.

For this purpose, "gross receipts" are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in the Regulations under section 118), initiation fees, or unusual amounts of income such as income received from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 86b on the club's Form 990-T.

Nondiscrimination policy.—A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if:

(1) the social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or

(2) the social club's membership limitation is a good-faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

Line 87—Section 501(c)(12) organizations.—One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term "gross income" means gross receipts minus cost of goods sold.

For a mutual or cooperative electric or telephone company, "gross income" does not include amounts received or accrued as "qualified pole rentals" or from the prepayment of a loan under the Rural Electrification Act of 1936 (see section 501(c)(12)(B), (C), and (D)).

For a mutual or cooperative telephone company, "gross income" also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members.

Line 88—Public interest law firms.—A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. See Rev. Proc. 71-39, 1971-2 C.B. 575. Also attach a report of all fees sought and recovered. See Rev. Proc. 75-13, 1975-1 C.B. 662, about acceptance of attorney's fees.

Line 89—List of states.—List each state with which you are filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 92—Section 4947(a)(1) charitable trusts.—Section 4947(a)(1) charitable trusts that file Form 990 instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Part VII—Analysis of Income-Producing Activities.—

In Part VII, analyze those amounts that are also entered in Part I, lines 2–11. Contributions reported on lines 1a–1d of Part I are not entered in Part VII. For information on unrelated business income, see the Instructions for Form 990-T and Publication 598.

Columns (b), (d), and (e).—For amounts reported on lines 93–103, enter in column (b) any income earned that is unrelated business income (see section 512). In column (d), enter any income earned that is excluded from the computation of unrelated business taxable income by Code sections 512, 513, or 514. In column (e), enter any related or exempt function income; that is, any income earned that is related to the organization's purpose or function which constitutes the basis for the organization's exemption.

Also enter in column (e) any income specifically excluded from gross income other than by Code sections 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103. You must explain in Part VIII any amount shown in column (e).

Columns (a) and (c).—In column (a), enter a business code, from the list in the Instructions for Form 990-T, to identify any income reported in column (b). In column (c), enter an exclusion code, from the list on page 18, to identify any income reported in column (d). If more than one exclusion code is applicable to a particular revenue item, select the lowest numbered exclusion code that applies. Also, if nontaxable revenues from several sources are reportable on the same line in column (d), use the exclusion code that applies to the largest revenue source.

Line 93—Program service revenue.—On lines 93(a)–(g), list the organization's revenue-producing program service activities and enter gross revenue earned from each activity, as well as identifying business and exclusion codes, in the appropriate columns. Program service

activities are discussed in the instructions for Part I, line 2; Part II, Column B; and Part III.

For line 93(g), enter amounts that are payments for services rendered to governmental units. Do not include government grants. See line 1c instructions for an explanation of the distinction between these two items. The total of lines 93(a)-(g) should equal the amount entered on line 2 of Part I.

Lines 94–102.—Enter amounts for these items as they were entered in Part I.

Note the following chart which shows the comparison of Part VII with Part I.

Part VII	Part I
Line	Line
93(a)–(g)	2
94	3
95	4
96	5
97 and 98	6c
99	7
100	8d
101	9c
102	10c
103(a)–(e)	11

Line 103—Other revenue.—List any "Other revenue" activity on lines 103(a)–(e). Report the sum of the amounts entered in columns (b), (d), and (e) for lines 103(a)–(e) on line 11, Part I. "Other revenue" activities are discussed in the instructions for line 11.

Line 105—TOTAL.—On this line, enter the total of columns (b), (d), and (e) of line 104. The amount on line 105, plus the amount on line 1d of Part I, should equal the amount entered on line 12, Part I.

Part VIII—Relationship of Activities to the Accomplishment of Exempt Purposes.—

To explain how an amount entered in Part VII, column (e) was related or exempt function income, show the line number of the amount in column (e) and give a brief description of how the activity reported in column (e) contributed importantly to the accomplishment of your exempt purposes (other than by providing funds for such purposes). Activities which generate exempt-function income are activities that form the basis of the organization's exemption from tax.

Also give the line number and an explanation for any income you entered in column (e) that is specifically excluded from gross income other than by Code sections 512, 513, or 514. If you did not enter an amount in column (e), do not complete Part VIII.

Example: M, an organization described in section 501(c)(3), operates a school for the performing arts. Admission is charged at student performances. M reported admission income in column (e) of Part VII and explained in Part VIII that performances before an audience were an essential part of the students' training and related to the exempt purpose of the organization.

Because M also reported interest from state bonds in column (e) of Part VII, M explained in Part VIII that such interest was excluded from gross income by Code section 103.

Part IX—Information Regarding Taxable Subsidiaries.—

Complete this Part if you answered "Yes" to question 78c of Part VI, Other Information.

Exclusion Codes

General Exceptions

01— Income from an activity that is not regularly carried on (section 512(a)(1))

02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))

03— Section 501(c)(3) organization— Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))

04— Section 501(c)(4) local association of employees organized before 5/27/69— Income from the sale of work- related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))

05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))

07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))

08— Income from hospital services described in section 513(e)

09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))

10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)

11— Section 501(c)(12) organization— Qualified pole rental income (section 513(g))

12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))

13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

14— Dividends, interest, or payments with respect to securities loans, and annuities excluded by section 512(b)(1)

15— Royalty income excluded by section 512(b)(2)

16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)

17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))

18— Proceeds from the sale of investments and other non-inventory property (capital gains excluded by section 512(b)(5))

19— Income (gains) from the lapse or termination of options to buy or sell securities (section 512(b)(5))

20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))

21— Income from research conducted by a college, university, or hospital (section 512(b)(8))

22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))

23— Income from services provided under license issued by a federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512 (b)(15))

Foreign Organizations

24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

25— Section 501(c)(7), (9), (17), or (20) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))

26— Section 501(c)(7), (9), (17), or (20) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))

27— Section 501(c)(9), (17), or (20) organization—Non-exempt function income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))

Veterans' Organizations

28— Section 501(c)(19) organization— Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))

29— Section 501(c)(19) organization— Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regs. 1.512(a)–4(b)(2))

Debt-financed Income

30— Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization's exempt purposes *(Note: This code is only for income from the 15% or less non-exempt purpose use.) (section 514(b)(1)(A))*

31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))

32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))

33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within ten years (section 514(b)(3))

34— Income from mortgaged property acquired by bequest or devise (applies to income received within ten years from the date of acquisition) (section 514(c)(2)(B))

35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than five years previously and the property was held by the donor for more than five years (applies to income received within ten years from the date of gift (section 514(c)(2)(B))

36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)

37— Income from mortgaged property that provides housing to low and moderate income persons, to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)) **(Note:** *In many cases, this would be exempt function income reportable in column (e). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.)*

38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization, or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

39— Section 501(c)(5) organization— Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)

Trade or Business

40— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)

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